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VOL. CLII NO. 16 Friday, January 23, 1987 2nd Year

TODAY

MASTERCARD International's executive committee declined this week to endorse smart card technology as had been urged by the MasterCard staff... 2

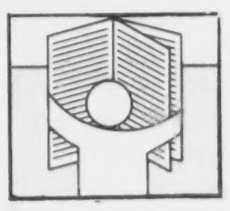
AMERICAN EXPRESS CO. crossed the billion-dollar net income level in 1986. It reported preliminary consolidated net of $1.11 billion, a 35% rise from the previous year's $812 million... 2

THE DEVELOPMENT OF A secondary mortgage market in Britain passed a milestone this week when Salomon Brothers floated the first Euromarket securities backed by residential U.K. mortgages. Following Wall Street's penchant for acronyms, the issue is called Homes, for Home Owners Mortgage EuroSecurities... 2

ASSOCIATES OF INVESTMENT adviser Edward Kelley say the Reagan administration's nominee to the Federal Reserve Board will bring a practical viewpoint from the trenches of American business... 3

ILLINOIS STATE TREASURER Jerome Cosentino made good on his threat and has withdrawn $220 million in state funds from the First National Bank of Chicago because of the bank's refusal to lower its interest rate on credit cards... 3

PRESTON MARTIN, former vice chairman of the Federal Reserve Board, writes that an objective analysis of the thrift industry may well force the unbelievers to the conclusion that thrifts offer a major opportunity in the economy today... 4



TWO TABLES RANK the top 50 U.S. thrifts in terms of mortgage security holdings... 18

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HONOLULU FEDERAL Savings & Loan Association has been sued by one of its senior executives, who claims, among other things, that he was stripped of all duties after he uncovered a possible conflict of interest by the thrift's president in a loan transaction... 24

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Quote

This is just a start. We are negotiating for even more banks to join us. Eventually we'll force First National down — or break their monopoly.

Illinois state Treasurer Jerome Cosentino, announcing in a press release that he had withdrawn $220 million in state funds from the First National Bank of Chicago after the bank refused to lower the interest rate it charges on its bank credit cards. [Page 3]

Unquote

FEATURE SECTION
American Banker

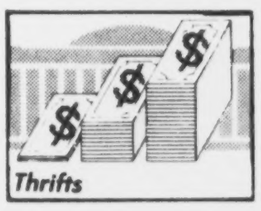
THE SECONDARY MORTGAGE MARKET: Last year's interest rate tumble hit the mortgage securities market. Now, Wall Street is coaxing stung investors back, and reaching out to the Euromarkets, with a menu replete with risk-reducing products. See **Page 7.**

Shopping Network to Buy Thrift

Bond Underwriting Firm Acquiring Minnesota S&L

Special to the American Banker

BLOOMINGTON, Minn. — Tax reform has prompted a municipal bond underwriting firm, Miller & Schroeder Financial Inc., to seek the acquisition of a medium-size Minnesota savings and loan.



Miller & Schroeder, based here, said the acquisition of Peoples Savings and Loan Association in Owatonna would help it to continue financing commercial real estate.

Federal tax revisions have severely restricted two methods that Miller & Schroeder depended on to finance housing projects and office buildings.

Minnesota: Page 20 ➳

TV Retailer to Take Over Ailing Baltimore Federal

By GORDON MATTHEWS

NEW YORK — Home Shopping Network Inc., the rapidly growing retailer that sells merchandise on television, is expanding into the financial-services arena.

The company has unveiled an agreement to acquire the ailing Baltimore Federal Financial FSA, Maryland's second largest thrift institution, for $40 million.

Roy M. Speer, chairman and chief executive officer of Home Shopping, which is based in Clearwater, Fla., said his company will use Baltimore Federal to develop and market consumer financial products to the customers and viewers across the nation of its popular shop-at-home television shows.

Television Retailer: Page 20 ➳

Thrifts Put More Money in Pass-Throughs

50 Institutions Account For Most of 25% Growth

By MARK BASCH

NEW YORK — Mortgage security holdings grew by 25% at thrift institutions last year, with 50 institutions accounting for just about all of the gain, according to an *American Banker* survey.

The holdings at institutions insured by the Federal Savings and Loan Insurance Corp. had grown to an aggregate $133.7 billion on June 30, 1986. Those thrifts had an average of 11.5% of their assets in mortgage-backed pass-through securities, compared with 10% a year earlier.

But the 50 thrifts with the largest holdings had even bigger average gains than the industry overall. Mortgage securities at those thrifts grew by 57% to almost $80 billion, accounting for 21% of their total assets.

Tables List Top 50 Thrifts in Mortgage Security Holdings
Page 18

Mortgage-Backed Securities Find Promising Market in Britain
Page 2

For the second straight year, the largest holdings belonged to American Savings & Loan Association, Stockton, Calif., the principal subsidiary of the nation's largest thrift holding company, the Financial Corporation of America. American had $10.9 billion in mortgage securities at midyear 1986, more than two-and-a-half times the second-ranked thrift in the survey, First Federal of Michigan, Detroit.

Financial Corporation has been adding large amounts of mortgage securities to its portfolio as part of a growth strategy to try and reverse the huge losses the company suffered in 1984 and much of 1985. "We believe [growth] is in our best interest because we've been growing with earning assets," the chairman and president of Financial Corporation, William J. Popejoy, said in an interview last year. "We need earning assets to help carry our nonearning assets until they have been sold off."

American Savings probably has an even bigger lead over other thrifts now. The survey counted holdings as of last June 30, but in the following three months, the thrift's parent company added about $5.3 billion in mortgage-backed securities, increasing its portfolio to $16.9 billion. But the growth was

Pass-Throughs: Page 16 ➳

BankAmerica Edges into the Black

By NINA EASTON
and MICHAEL A. ROBINSON

BankAmerica Corp. said its fourth-quarter profit of $82 million, or 44 cents a share, is proof of "tangible progress in the corporation's restructuring program."

Fourth-Quarter Earnings

"As we completed 1986, we saw nonperforming loans and credit losses begin to decline," said A.W. Clausen, chairman and chief executive officer. "We also far exceeded our goal to reduce staff levels during 1986, and slowed expense growth."

However, BankAmerica said losses widened to $518 million, or $3.74 a share, in all of 1986, against losses of $337 million, or $2.68 a share, in 1985. In the 1985 fourth quarter, BankAmerica lost $178 million, or $1.27 a share.

BankAmerica managed to eke out a profit in the final quarter of 1986 by selling assets, including its Italian bank

BankAmerica: Page 22 ➳

"I hear that the fastest growing credit card, EFT, and plastic card processing and embossing provider around is in Columbus, Ohio. A company called Frankleton, I believe."

Franklinton Financial Services is only five years old, but we're already a force in the electronic transactions processing industry. Many clients across the country have discovered the depth of Franklinton expertise, quality, efficiency and "extra-mile" commitment. And the word is getting around. It's Franklinton for:

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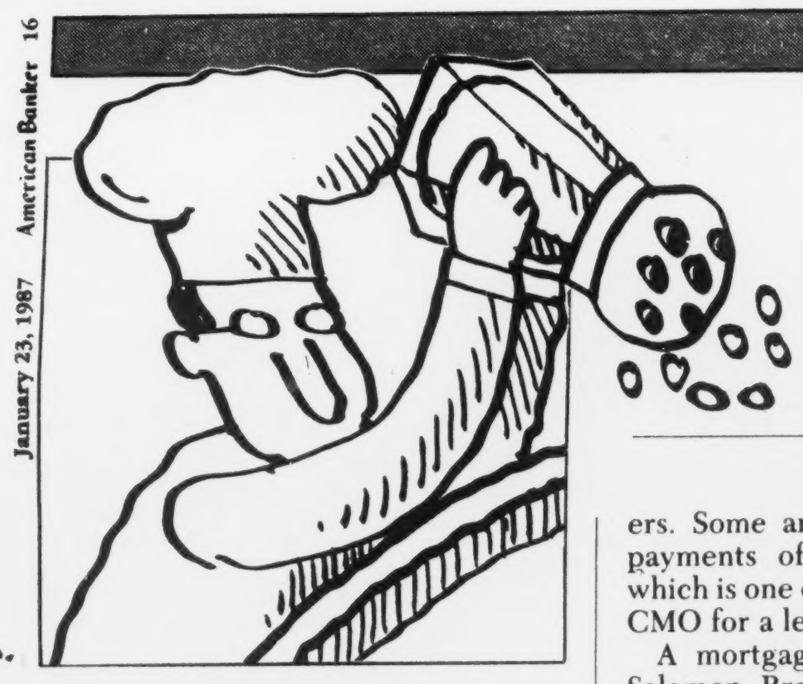

"CMO issues have totally dominated the Eurobond market for about the past five weeks."

Continued from Previous Page

Markets, in the same issue, said investors no longer have to receive credit approval on each thrift issue and have a "blanket authority" to buy several thrift issues.

Even during the volatile period of the floating-rate notes in early December, the CMO bonds were faring better than other issues.

However, not all European investors are comfortable with the CMO floaters. Some are wary of the quarterly payments of interest and principal, which is one of the ideal features of the CMO for a lending institution.

A mortgage securities trader with Salomon Brothers said the investors also find the high coupon a mystery: "They want to know how we can be offering them 50 basis points over LIBOR on a triple-A-rated security."

When Franklin Savings offered its CMO floaters, it sought to ease some of the misgivings investors had about the securities.

The spread over LIBOR was about 30 basis points higher than recent transactions; there was no call option; and the maturity was five years, instead of the longer 7-10 years on other mortgage-backed securities.

Despite certain restrictions placed on the issue, Dennis Katzer, chief financial officer with Franklin, said the offering "was received well" and that "the floating-rate note market is definitely one of the funding sources" the institution would consider for future issues.

Since the Euromarkets' inception in 1983, syndicate managers have been trying to break into them with CMOs. U.S. thrift institutions are not the only firms to have issued CMO floaters in the Eurobond market. Freddie Mac sold $283.9 million in the floating-rate note market in 1986. Among other issuers were Drexel Burnham Lambert Securities Ltd. and Prudential Insurance Co. of America.

But for the thrift, entry into the foreign capital markets can be essential. In the December 1986 edition of *International Capital Markets,* Albert E. Fiacre Jr., executive vice president of finance for the Society for Savings, Hartford, Conn., said that "too many thrifts are reliant on their local Federal Home Loan Bank," to assure their institutions financial credibility, "because it is so easy."

Mr. Fiacre said he believes the $1 billion asset institution has to build its own credibility, and he asserts that "it's important [for thrift institutions] to be proficient in wholesale financings because the process exposes them to the outside world and is a big step forward towards becoming an investment grade company."

This, in turn, would allow an institution to engage in uncollateralized financings, along with asset-based fundraising.

This past November, the Society for Savings made an offering in the floating-rate note market — the first time a thrift issue was placed completely with Japanese institutional investors with offshore portfolios. The Society for Savings issue was also a five-year, no-call-option security.

In the past several months, both government-chartered and private institutions have used the market to offer mortgage-backed securities.

Since 1982, when Freddie Mac offered $600 million of zero coupon securities, U.S. housing financiers have been looking for ways to crack into the Eurobond market with their own mortgage-backed securities.

Both Freddie Mac and Fannie Mae have gone to the Eurobond market to sell other issues in the foreign markets, and interest in the securities has grown.

In September of 1985, Freddie Mac made its first foreign-targeted offering of mortgage pass-through certificates. It was a $100 million issue of multifamily Plan B Mortgage participation certificates, a fixed-rate first lien, conventional residential mortgages, and secured by properties containing five or more units. Plan B mortgages are assumable by creditworthy borrowers at the original interest rate.

These pass-through certificates were also attractive because they were exempt from the 30% withholding tax on interest paid to foreigners. Furthermore, financial institutions acting as custodians were generally exempt from the backup withholding requirement and reporting requirement on payments to the beneficial owner.

In November of 1985, Freddie Mac and Fannie Mae within a week of each other targeted European and Japanese investors with CMO issues totaling $350 million.

Though several of the issuers of CMO floaters have no immediate plans to make another entry into the floating-rate note market, they said that it was a good alternative to domestic capital markets.

The Fannie Mae spokesperson noted several economic factors — including widening spreads and the effects of the dollar's decline — for delaying any immediate action by that agency.

"We're still looking for opportunities to raise debt in the foreign markets, but we'll have to keep our eye on the various market conditions," the spokesperson said. ■

Pass-Throughs . . .

Continued from Page 1

slowing in the fourth quarter, as monthly data from American Savings shows that the thrift added only about $164 million in mortgage securities in October and November.

Jonathan E. Gray, a thrift analyst with Sanford C. Bernstein & Co., New York, said that Financial Corporation's strategy reflects the current low interest rates. He said the company reduced its exposure to interest-rate increases in 1985, but it was still losing money because of its large amount of nonearning assets. "If they were going to earn any money, they had to reopen the interest-rate exposure," he said.

He said the effective yield on the securities purchased in the third quarter is around 9%, while the purchases were funded with short-term debt costing about 6%.

With interest rates expected to remain low in the near term, Mr. Gray feels Financial Corporation's earnings prospects are "quite good" with this strategy, but if rates were to rise over the next few years, the long-term outlook would be poor.

Like Financial Corporation, the second- and third-ranked thrifts in the survey — First Federal of Michigan and Gibraltar Savings, Beverly Hills, Calif. — have a little more than 37% of their assets in mortgage securities. But few other thrifts have that high a ratio. "If you analyze it, you'll find a very small number of institutions account for that addition of mortgage-backed securities to the portfolio," said Dennis J. Jacobe, director of research for the U.S. League of Savings Institutions.

In fact, if you take away the 50 institutions in the survey, the remaining 3,000-odd FSLIC-insured thrifts have only about 7% of their assets in mortgage-backed securities.

Mortgage securities are popular with thrifts because of their liquidity, analysts say, but Mr. Jacobe said one drawback to holding mortgage securities is that they are difficult to hedge properly, leaving the thrift with a lot of risk. "The idea that they're marketable tends to disguise the interest-rate risk a little bit," he said.

Reducing Interest Rate Risk

But some large thrifts are minimizing the risk by growing their mortgage securities portfolio as part of a structured-financing operation, said Peter E. Knight, vice president and director of mortgage finance for the National Council of Savings Institutions. He said these thrifts have been able to lock in an interest-rate spread on the securities.

Mr. Knight said thrifts would have to be at least at the $1 billion-asset level to be able to set up this kind of a structured-finance operation. "You're dealing with institutions that have to be pretty large," he said. "They're able to do things with the mortgages that smaller institutions are unable to do."

He said Santa Barbara Savings & Loan Association in California and City Federal Savings Bank, Bedminister, N.J., are two examples of those kind of thrifts.

Franklin Savings Association, Ottawa, Kan., has 82% of its assets in mortgage securities, the largest percentage in the survey. Dennis J. Katzer, executive vice president and chief financial officer of the thrift, said Franklin opts for securities instead of loans as part of its strategy to minimize credit risk and servicing costs.

"We have not been big originators of loans," he said. By taking on mortgage securities instead, "we reduce the servicing requirement and reduce credit risk."

Pacific First Federal Savings Bank, Tacoma, Wash., added large amounts of mortgage securities to more effectively use its excess capital, according to Jeff Thompson, vice president and mortgage portfolio administrator of the thrift.

Pacific First's mortgage securities holdings grew more than 12 times from midyear 1985 to midyear 1986, the largest percentage gain in the survey. "We were looking for a way to do conservative growth," Mr. Thompson said. He said the thrift was looking for assets with strong credit quality and liquidity.

He added that Pacific First is not worried about the interest rate risk because the thrift feels it can effectively manage the risk. "We feel very comfortable with our portfolio," he said.

In looking at a thrift with large mortgage securities holdings, "what I would want to know is how they got them," said Robert Chaut, an analyst with Salomon Brothers. He said that thrifts can add the securities to their portfolio either by securitizing loans they originate themselves, or by purchasing securities, and he would look more favorably at a thrift that takes the origination route.

Mr. Jacobe feels the growth in mortgage security holdings will slow in the future. "I think the trend is unusual," he said. "I think that what's going to happen is, some people are going to find that they didn't really want to invest in those mortgage-backed securities." ■

Strategic Dates

June 30, 1987

VAMP: The voluntary assisted merger program, the Federal Home Loan Bank Board's program enabling ailing thrifts to merge voluntarily with healthy associations and still gain federal aid, is extended until this date. The board's adoption of the program in 1982 was a temporary measure designed to assist those small thrifts that were suffering from the squeeze of high interest rates coupled with portfolios full of long-term, low-yielding mortgages.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our survey on mortgage security holdings meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712. We will try to incorporate your suggestions into the next survey.

(1.) How would you **change** the survey to make it more useful? What would you add?

_____

_____

(2.) What did you like **best** about the survey?

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(3.) What did you like **least** about the survey?

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(4.) How do you use the survey in your work?

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Top 50 Thrifts in Mortgage Security Holdings

Based on Mortgage-Backed Pass-Through Securities Held in Portfolios on June 30, 1986

(Dollar Amounts in Thousands)

Compiled by American Banker Copyright 1986

Rank 6/86		Total Mortgage Securities 6/30/86	6/30/85	% Chg.	Total Assets 6/30/86	6/30/85	Mortgage Sec. to Assets (%) 6/30/86	6/30/85	Interest Earned on Mortgage Securities 6/30/86	6/30/85	% Chg.	Operating Income 6/30/86	Mortgage Int. Earned to Operating Inc. 6/30/86
1	American Savings & Loan Assn., Stockton, Calif.	10,945,648	6,363,005	72.02	29,179,482	27,724,422	37.51	22.95	193,657	171,174	13.13	606,401	31.94
2	First Federal of Michigan, Detroit	3,944,393	3,176,672	24.17	10,550,686	9,095,913	37.39	34.92	81,834	93,682	-12.65	255,735	32.00
3	Gibraltar Savings, Beverly Hills	3,919,130	891,496	339.61	10,358,704	7,401,827	37.83	12.04	92,141	21,238	333.85	269,589	34.18
4	Standard Federal Bank, Troy, Mich.	2,905,507	1,013,064	186.80	7,455,032	5,483,007	38.97	18.48	60,641	31,176	94.51	156,768	38.68
5	Franklin Savings Assn., Ottawa, Kan.	2,859,838	1,539,543	85.76	3,481,398	1,783,400	82.15	86.33	74,656	44,741	66.86	89,264	83.64
6	Columbia Savings & Loan Assn., Beverly Hills	2,569,023	1,440,504	78.34	7,322,457	5,781,153	35.08	24.92	67,294	53,254	26.36	237,264	28.36
7	Glendale Federal Savings & Loan Assn., Calif.	2,373,245	1,813,956	30.83	15,966,689	12,707,282	14.86	14.27	58,772	47,780	23.01	403,076	14.58
8	Home Savings of America FA, Irwindale, Calif.	2,359,816	2,417,769	-2.40	27,878,939	24,635,601	8.46	9.81	92,823	78,432	18.35	722,620	12.85
9	Crossland Savings, FSB, Brooklyn, N.Y.	2,337,616	1,090,870	114.29	7,855,960	6,547,935	29.76	16.66	42,849	21,509	99.21	163,597	26.19
10	World Savings, FS&LA, Oakland, Calif.	2,319,247	2,312,488	0.29	12,214,404	11,480,001	18.99	20.14	59,971	73,642	-18.56	325,564	18.42
11	Homestead Savings, FS&LA, San Francisco	2,247,797	596,414	276.89	5,060,565	3,306,314	44.42	18.04	55,676	18,106	207.50	135,009	41.24
12	Guardian Savings & Loan Assn., Houston	2,040,426	1,880,957	8.48	2,579,081	2,224,077	79.11	84.57	41,935	56,800	-26.17	57,504	72.93
13	TCF Banking & Savings, FA, Minneapolis	2,033,285	1,371,769	48.22	5,823,743	4,526,506	34.91	30.31	52,943	36,489	45.09	136,585	38.76
14	United Savings Assn., Houston	1,948,247	1,084,016	79.72	5,615,049	4,428,817	34.70	24.48	48,427	23,115	109.50	131,465	36.84
15	Benjamin Franklin Federal S&L Assn., Portland, Ore.	1,618,001	1,631,704	-0.84	4,394,547	3,861,452	36.82	42.26	49,101	51,085	-3.88	122,199	40.18
16	Coast Savings & Loan Assn., Los Angeles	1,521,687	541,788	180.86	8,044,701	6,297,860	18.92	8.60	33,683	19,218	75.27	200,403	16.81
17	Anchor Savings Bank FSB, Northport, N.Y.	1,410,116	677,087	108.26	7,328,381	4,393,222	19.24	15.41	31,267	15,850	97.27	168,885	18.51
18	Goldome FSB, Buffalo, N.Y.	1,392,152	1,185,564	17.43	12,290,494	11,353,425	11.33	10.44	26,237	23,455	11.86	272,359	9.63
19	Carteret Savings Bank, FA, Morristown, N.J.	1,390,914	1,202,955	15.62	5,345,308	5,103,287	26.02	23.57	35,218	35,514	-0.83	136,094	25.88
20	Community Federal S&L Assn., St. Louis, Mo.	1,379,688	548,382	151.59	4,363,265	3,548,136	31.62	15.46	28,242	15,025	87.97	97,948	28.83
21	Talman Home Federal S&L Assn., Chicago	1,297,827	1,359,376	-4.53	5,834,376	6,297,087	22.24	21.59	33,768	39,886	-15.34	137,795	24.51
22	Northeast Savings, FA, Hartford, Conn.	1,264,448	882,096	43.35	5,276,220	4,070,444	23.97	21.67	30,185	22,044	36.93	121,769	24.79
23	City Federal Savings Bank, Elizabeth, N.J.	1,208,013	370,942	225.66	10,194,595	7,982,888	11.85	4.65	31,835	7,540	322.21	269,992	11.79
24	MeraBank, FSB, Phoenix, Ariz.	1,197,990	1,331,593	-10.03	5,322,461	4,753,633	22.51	28.01	34,191	37,080	-7.79	157,516	21.71
25	Gibraltar Savings Assn., Houston	1,114,286	556,229	100.33	5,276,174	4,202,257	21.12	13.24	30,760	5,440	465.44	116,919	26.31
26	Santa Barbara Savings & Loan Assn., Calif.	1,075,104	454,856	136.36	3,416,953	2,694,323	31.46	16.88	24,709	10,297	139.96	84,489	29.25
27	Great Western Savings FS&LA, Beverly Hills	975,326	684,626	42.46	23,166,716	21,756,122	4.21	3.15	29,176	31,914	-8.58	642,441	4.54
28	Imperial Savings Assn., San Diego, Calif.	967,451	154,039	528.06	7,957,387	7,589,305	12.16	2.03	26,172	9,596	172.74	205,903	12.71
29	Dime Savings Bank of New York FSB, New York	965,306	837,895	15.21	7,999,700	7,618,850	12.07	11.00	19,705	19,191	2.68	198,027	9.95
30	First Federal Savings & Loan Assn., Rochester, N.Y.	959,049	1,063,820	-9.85	4,635,586	4,496,060	20.69	23.66	24,568	27,226	-9.76	116,856	21.02
31	Bright Banc Savings Assn., Dallas	950,540	514,382	84.79	4,612,430	2,149,708	20.61	23.93	18,798	16,816	11.79	100,675	18.67
32	Florida Federal S&L Assn., St. Petersburg	916,197	617,055	48.48	5,194,406	4,802,187	17.64	12.85	23,896	17,288	38.22	104,025	22.97
33	Georgia Federal Bank, FSB, Atlanta	902,983	97,472	826.40	3,086,980	2,414,129	29.25	4.04	12,178	3,132	288.83	70,630	17.24
34	California Federal S&L Assn., Los Angeles	901,723	1,419,763	-36.49	19,253,289	16,628,729	4.68	8.54	29,430	48,505	-39.33	481,287	6.11
35	Pacific First Federal Savings Bank, Tacoma, Wash.	899,420	66,192	1,258.80	3,627,491	2,613,750	24.79	2.53	28,266	1,342	2,006.26	97,604	28.96
36	Seamen's Bank for Savings FSB, New York	885,245	371,128	138.53	3,189,257	3,091,155	27.76	12.01	20,258	7,313	177.01	80,306	25.23
37	Commercial Federal S&L Assn., Omaha, Neb.	869,511	442,098	96.68	3,001,023	2,552,149	28.97	17.32	22,107	11,880	86.09	77,916	28.37
38	CenTrust Savings Bank, Miami	827,480	736,432	12.36	5,421,883	4,347,439	15.26	16.94	23,447	25,664	-8.64	149,713	15.66
39	Columbia Savings, FS&LA, Denver	804,822	409,031	96.76	2,660,310	2,526,705	30.25	16.19	18,046	15,894	13.54	63,299	28.51
40	Empire of America FSB, Buffalo, N.Y.	804,509	238,393	237.47	6,256,640	5,784,367	12.86	4.12	18,203	5,980	204.40	153,929	11.83
41	Fortune Federal S&L Assn., Clearwater, Fla.	764,000	684,867	11.55	2,155,506	1,890,792	35.44	36.22	17,933	14,359	24.89	53,295	33.65
42	First Nationwide Bank, FSB, San Francisco	762,465	795,688	-4.18	12,995,194	10,491,296	5.87	7.58	18,121	22,066	-17.88	321,633	5.63
43	First Texas Savings Assn., Dallas	742,186	523,915	41.66	3,902,537	3,606,386	19.02	14.53	15,701	11,505	36.47	87,331	17.98
44	Long Island Svgs Bank of Centereach FSB, N.Y. (a)	724,673	973,774	-25.58	3,075,671	2,917,714	23.56	33.37	21,103	24,970	-15.49	72,479	29.12
45	D&N Savings Bank, FSB, Hancock, Mich.	674,239	369,809	82.32	1,726,526	1,445,016	39.05	25.59	14,925	8,739	70.79	43,297	34.47
46	Transohio Savings Bank, FSB, Cleveland	634,916	293,082	116.63	3,580,270	2,899,179	17.73	10.11	15,708	6,083	158.23	94,941	16.55
47	American Savings & Loan Assn. of Florida, Miami	632,896	816,346	-22.47	2,622,072	2,773,936	24.14	29.43	16,832	19,600	-14.12	64,779	25.98
48	Home Federal S&L Assn., San Diego, Calif.	599,064	420,921	42.32	10,686,525	9,524,838	5.61	4.42	11,175	8,885	25.77	286,773	3.90
49	Bank Western FSB, Denver	579,638	191,944	201.98	3,278,655	3,066,694	17.68	6.26	7,290	5,359	36.03	56,650	12.87
50	Citicorp Savings of Illinois, FS&LA, Chicago	563,506	485,581	16.05	4,590,681	4,445,018	12.27	10.92	11,217	17,400	-35.53	114,040	9.84
	TOTALS FOR THE TOP 50 (Dollars Billions)	**79.98**	**50.94**	**57.00**	**377.1**	**323.1**	**21.21**	**15.77**	**1.88**	**1.43**	**30.87**	**9.31**	**20.15**
	TOTALS FOR ALL FSLIC-INSURED INSTITUTIONS (b)	**$133.7**	**107.4**	**24.49**	**1,159.3**	**1,069.5**	**11.53**	**10.04**					

Total Mortgage Securities are mortgage-backed pass through securities held in the thrift's portfolio on June 30. **A mortgage-backed security** is any of a variety of investment securities representing shares in a pool of mortgage loans; often guaranteed by the Government National Mortgage Association (GNMA) or privately insured. **A pass-through security** is a security representing an interest in an underlying pool of mortgages, on which payments received on the underlying pool are passed through to the security investor. According to the FHLBB's quarterly report of condition, mortgage-backed pass through securities are the sum of: (1) all mortgage-backed pass-through securities insured or guaranteed by an agency or instrument (e.g., FHLMC, FNMA, or GNMA) of the United States, including those eligible for liquidity plus conventional mortgage-backed pass-through securities; and (2) conventional mortgage-backed pass-through securities are not insured or guaranteed by an agency or instrument of the United States. They include Mortgage Guaranty Insurance Corp. (MGIC) short-term participation certificates which are collateral loans secured by liens on real estate. **Interest earned on mortgage securities** is all interest earned during the period (ending June 30) on mortgage-backed pass through securities. Included is the amortization of discounts and premiums earned during the period. **Total operating income** is the sum of gross interest income from loans and investments; plus net income from leasing, REO operations, service corporations and subsidiaries, and office building operations; plus all other operating income. Data were provided by **ADP Data Services Division** from their Federal Home Loan Bank Board data base of FSLIC-insured savings institutions. **(a)**— A division of Long Island Savings Bank of FSB, Syosset, N.Y. **(b)**— Aggregate data are from the FHLBB. The FHLBB data series was revised in July 1985. American Banker adjusted the June 1985 data to relect the changes in the series.

Summary Data for Top 50 Thrifts in Mortgage Securities

Based on Midyear 1986 Data

Largest Ratio: Mortgage Securities To Assets

		Ratio (%)
1	Franklin Savings Assn., Ottawa, Kan.	82.2
2	Guardian Savings & Loan Assn., Houston	79.1
3	Homestead Savings FS&LA, San Francisco	44.4
4	D&N Savings Bank, FSB, Hancock, Mich.	39.1
5	Standard Federal Bank, Troy, Mich.	39.0
6	Gibraltar Savings, Beverly Hills	37.8
7	American S&L Assn., Stockton, Calif.	37.5
8	First Federal of Michigan, Detroit	37.4
9	Benjamin Franklin Fed. S&L, Portland, Ore.	36.8
10	Fortune Federal S&L Assn., Clearwater, Fla.	35.4

Largest Ratio: Mortgage Interest Earned To Operating Income

		Ratio (%)
1	Franklin Savings Assn., Ottawa, Kan.	84
2	Guardian Savings & Loan Assn., Houston	73
3	Homestead Savings FS&LA, San Francisco	41
4	Benjamin Franklin Fed. S&L, Portland, Ore.	40
5	TCF Banking & Savings FA, Minneapolis	39
6	Standard Federal Bank, Troy, Mich.	39
7	United Savings Assn., Houston	37
8	D&N Savings Bank, FSB, Hancock, Mich.	34
9	Gibraltar Savings, Beverly Hills	34
10	Fortune Federal S&L Assn., Clearwater, Fla.	34

Largest Gain in Mortgage Securities (6/85-6/86)

		Ratio (%)
1	Pacific First Fed. Svgs. Bank, Tacoma, Wash.	1,259
2	Georgia Federal Bank, FSB, Atlanta	826
3	Imperial Savings Assn., San Diego, Calif.	528
4	Gibraltar Savings, Beverly Hills	340
5	Homestead Savings FS&LA, San Francisco	277
6	Empire of America FSB, Buffalo, N.Y.	237
7	City Federal Savings Bank, Elizabeth, N.J.	226
8	Bank Western FSB, Denver	202
9	Standard Federal Bank, Troy, Mich.	187
10	Coast Savings & Loan Assn., Los Angeles	181